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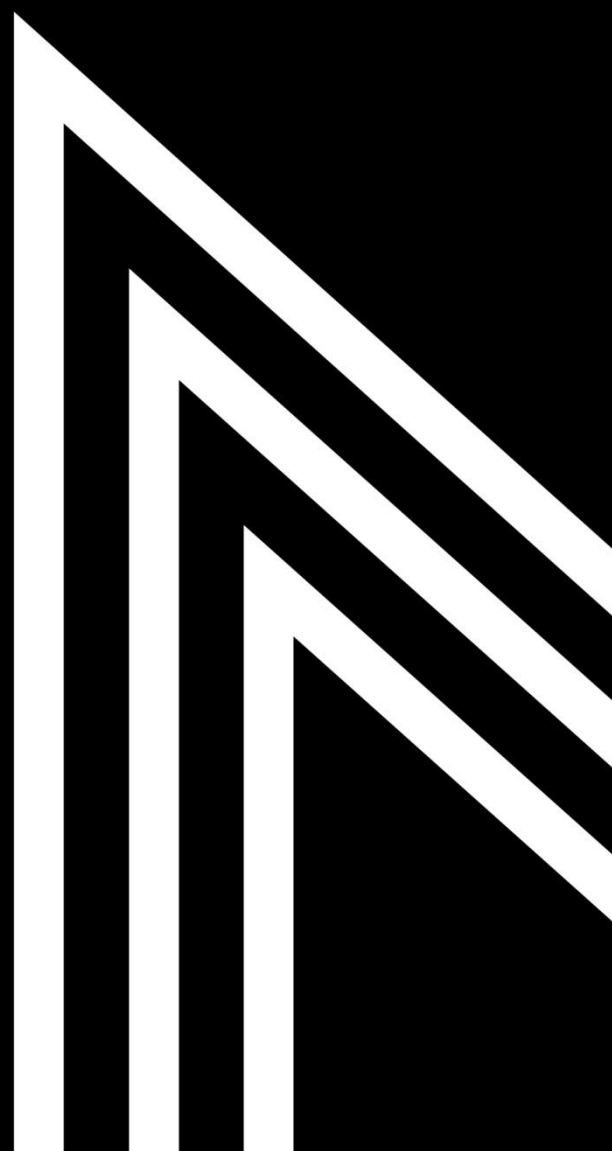
**A.C.N. 612 789 983 Pty Ltd (formerly known as Tandem Corp Pty Ltd) and  
certain related entities of the Tandem Group listed at Appendix A  
(all In Liquidation)  
(collectively, “the Insolvent Companies” or “the Insolvent Group”)**

**Statutory Report to Creditors**

5 November 2021



**McGrathNicol**



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## Defined terms

Report Glossary	
Act	<i>Corporations Act 2001</i> (Cth)
Administrators	Keith Crawford and Matthew Caddy of McGrathNicol
AEST	Australian Eastern Standard Time
Appointment Date or Appointment	Being 1 July 2021, the day that Keith Crawford and Matthew Caddy were appointed Voluntary Administrators
ARITA	Australian Restructuring, Insolvency and Turnaround Association
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
Board	The boards of Directors of the Insolvent Companies
Class Action	Class action filed by Shine Lawyers Pty Ltd against ISGM in November 2018 on behalf of workers who had entered into sub-contracting arrangements with ISGM
COI	Committee of Inspection
COVID-19	The Coronavirus
Digital	Core business unit comprising Tandem Digital International, Tandem Digital Services and Tandem Digital Solutions
Directors	Stuart Wardman-Browne, Joseph Caporale, Adrian Field and David Odgers, each a director of at least one of the Insolvent Companies at Appointment
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
DXG or "Deed of Cross Guarantee"	ASIC Deed of Cross Guarantee dated 29 June 2016 pursuant to ASIC Class Order 98/1418 which each of the Insolvent Companies are a party to
DXG Group	Entities party to the Deed of Cross Guarantee (i.e. the Insolvent Group entities)
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
FEG	Commonwealth Government Fair Entitlements Guarantee Scheme
FYXX	Financial year for the period 1 July 20XX to 30 June 20XX
GST	Goods and Services Tax
IFM	IFM Investors Pty Ltd
IPR	<i>Insolvency Practice Rules (Corporations) 2016</i>
ISGA or "ISG Aust"	Infrastructure Services Group (Aust) Pty Ltd ACN 142 331 717
ISGA FinCo	ISGA FinCo Pty Ltd ACN 612 825 797
ISGM or "ISG Management"	A.C.N. 142 916 970 (formerly known as ISG Management Pty Ltd)
ISGM Consulting	A.C.N. 142 331 735 (formerly known as ISGM Consulting Pty Ltd)
Liquidators	Keith Crawford and Matthew Caddy of McGrathNicol, who were appointed Liquidators of the Insolvent Companies at the Second Meetings of Creditors on 5 August 2021
Management	The Directors, and senior employees of the Insolvent Companies
Metasite	Metasite Pty Ltd ACN 145 899 458

Report Glossary	
Mobiles	Core business unit comprising Metasite
NAB or the "Secured Creditor"	National Australia Bank Limited
Networks	Core business unit comprising Tandem Networks and ISGM
non-CVL entities	Tandem Digital International, Tandem Digital Solutions, Tandem Networks, Tandem Property Services and Metasite, being entities of the Tandem Group which are not subject to the Liquidators' appointment
PAYG	Pay As You Go withholding tax
POD	Proof of Debt
PPSR	Personal Property Securities Register
Insurance	Core business unit comprising Tandem Property Services
Relation Back Day	The date the Administrators were appointed, being 1 July 2021
ROCAP	Report On Company Activities and Property
Second Meetings of Creditors or "Second Meetings"	Second statutory meetings of creditors of the Insolvent Companies convened for 5 August 2021 in accordance with section 439A of the Act
Secured Debt	Debt due by the Tandem Group to NAB on the Administrators' appointment
Tandem Corp	A.C.N. 612 789 983 (formerly known as Tandem Corp Pty Ltd)
Tandem Digital Services	A.C.N. 625 476 897 (formerly known as Tandem Digital Services Pty Ltd)
Tandem Digital Solutions	Tandem Digital Solutions Pty Ltd ACN 628 166 450
Tandem Digital International	Tandem Digital International Pty Ltd ACN 639 350 922
Tandem Networks	Tandem Networks Pty Ltd ACN 636 625 271
Tandem Property Services	Tandem Property Services Pty Ltd ACN 614 835 415
Tandem Property Works	A.C.N. 600 211 603 (formerly known as Tandem Property Works Pty Ltd)
the Act	<i>Corporations Act 2001</i>
the Administrators' Report	Report to creditors prepared by the Administrators, pursuant to section 75-225 of the Insolvency Practice Rules (Corporations) 2016, dated 29 July 2021
the Liquidators' Statutory Report or this Report	Report to creditors prepared by the Liquidators, pursuant to section 70-40 of the Insolvency Practice Rules (Corporations) 2016, dated 5 November 2021
the Court	Federal Court of Australia
Each a Company, and collectively the Insolvent Companies or "the Insolvent Group"	Tandem Corp, Tandem Digital Services, ISGA, ISGA FinCo, ISGM Consulting, Tandem Property Works and ISGM
the Tandem Group or "Tandem" or "the Group"	Collectively the Insolvent Companies and non-CVL entities
VA	Voluntary Administration

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# 1 Executive summary

## 1.1 Key questions and answers

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### What is the purpose of this report?

The purpose of this report is to:

- provide creditors with an update on the progress of the liquidation of the Insolvent Companies; and
- advise creditors of the likelihood of a dividend being paid in the liquidation.

This report has been prepared to comply with the Liquidators' statutory obligation under section 70-40 of the Insolvency Practice Rules (Corporations) 2016 to report to creditors within three (3) months of their appointment as Liquidators.

The information in this report is supplementary to the Administrators' Report dated 29 July 2021 (**Administrators' Report**) and should be read in conjunction with the Administrators' Report.

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### What did the Tandem Group do?

The Tandem Group provided workforce contract management and consulting services to the telecommunications, utilities and insurance sectors via four core business units:

- **Networks**, the largest business unit by revenue servicing customers such as Telstra and JB Hi-Fi;
  - **Digital**, servicing customers such as nbn co and Foxtel;
  - **Mobiles**, servicing infrastructure and telecommunication customers focusing on wireless, 5G and mobile device products; and
  - **Insurance**, servicing the insurance sector via a contract with Insurance Australia Group Limited (**IAG**).
- 

### What is the status of the Tandem Group?

The Insolvent Companies of the Tandem Group are in Liquidation.

On 1 July 2021 (**the Appointment Date**), Keith Crawford and Matthew Caddy were appointed Administrators of seven entities of the Tandem Group (**the Insolvent Companies** or **Insolvent Group**). The Insolvent Companies are those which are party to an ASIC Deed of Cross Guarantee (**DXG**).

At the second meetings of creditors held on 5 August 2021, creditors resolved that the Insolvent Companies be wound up and Keith Crawford and Matthew Caddy be appointed joint and several Liquidators of the Insolvent Group.

The remaining five entities within the Tandem Group not party to the DXG are not subject to the Liquidators' appointment and are controlled by their directors (**non-CVL entities**).

The Insolvent Group entities and non-CVL entities are listed at Appendix A.

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### What happened to the Tandem Group's businesses?

The Liquidators have successfully completed sales of the assets and operations of the following businesses:

- Networks, Digital and Mobiles businesses to GenusPlus Group Ltd (**GenusPlus**); and
  - ISGM's service contract with JB Hi-Fi.
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### What was the date of insolvency?

The Liquidators' investigations to determine a date of insolvency are ongoing. Section 5 outlines the status of the Liquidators' investigations.

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**What potential claims have the Liquidators identified?**

Potential claims available to a liquidator include (among others) insolvent trading, antecedent transactions and breach of director's duties

The Liquidators' investigations into avenues of recovery are ongoing. Section 5 outlines the status of the Liquidators' investigations.

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**Will the Secured Creditor be repaid their debt?**

It is anticipated that there will be a deficiency to NAB (**the Secured Creditor**) of between \$16.2 million (high case scenario) and \$16.9 million (low case scenario).

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**Will employees be paid their outstanding entitlements?**

Priority Creditors (i.e. employees) rank ahead of secured and unsecured creditors for dividend purposes against the net proceeds of realisation from circulating assets of their employing entity. Circulating assets are assets which are continually changing within the business such as stock, work in progress and debtors.

Certain entities within the Insolvent Group may realise sufficient circulating assets to provide a partial dividend to employees who were made redundant after the Appointment Date or who are otherwise owed entitlements as at the Appointment Date, whereas others may not. The characterisation of assets and the associated costs of realising these assets as circulating and non-circulating can be complex. The Liquidators may be required to take advice on this and/or may seek court directions to make a final determination.

At this stage the Liquidators anticipate a return from the realisation of circulating assets of up to \$1.6 million may be available to the priority employee creditors of ISGM but no such return is anticipated for priority employee creditors of other entities within the Insolvent Group (refer section 6.2).

Additional recoveries from voidable transactions may also be available to priority employee creditors (refer section 5.5.1).

Eligible employees who make a FEG claim will receive a distribution through FEG, which will make payment on some of the main categories of employee entitlements, subject to certain criteria and value caps. A number of employees have already received their FEG distribution and the remainder of claimants should shortly receive their FEG distribution. Employees whose entitlements are not paid in full by FEG may receive an additional payment based on circulating asset recoveries in their employing entity.

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**Will unsecured creditors be paid a dividend?**

Based on the quantum of debt owed to the Secured Creditor and employees, and absent any potential material recoveries in respect of insolvent trading or antecedent transactions, it is likely there will be no distribution paid to unsecured creditors.

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**Where I can get more information?**

Creditors requiring further information should refer to the McGrathNicol website [www.mcgrathnicol.com/creditors/tandem-group](http://www.mcgrathnicol.com/creditors/tandem-group) or email [tandemcreditors@mcgrathnicol.com](mailto:tandemcreditors@mcgrathnicol.com).

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## 2 Introduction

### 2.1 Appointment

Keith Crawford and Matthew Caddy (**Administrators**) were appointed Joint and Several Voluntary Administrators of certain entities of the Tandem Group listed at Appendix A (each a **Company** and collectively, **the Insolvent Companies** or **Insolvent Group**) on 1 July 2021 (**Appointment Date** or **Appointment**) by resolution of the Board of Directors of each of the Insolvent Companies, pursuant to Section 436A of the *Corporations Act 2001 (Cth)* (**Act**).

At the second meetings of creditors held on 5 August 2021, creditors resolved that the Insolvent Companies be wound up and Keith Crawford and Matthew Caddy (**Liquidators**) by appointed Joint and Several Liquidators of the Insolvent Companies. The Insolvent Group is currently in liquidation.

### 2.2 Purpose of this Report

The purpose of this report is to:

- provide creditors with an update on the progress of the liquidation of the Insolvent Group; and
- advise creditors of the likelihood of a dividend being paid in the liquidation.

This report has been prepared to comply with the Liquidators' statutory obligation under section 70-40 of the Insolvency Practice Rules (Corporations) 2016 (**IPR**) to report to creditors within three months of their appointment as Liquidators.

The information in this report is supplementary to the Administrators' Report dated 29 July 2021 (**Administrators' Report**) and should be read in conjunction with the Administrators' Report.

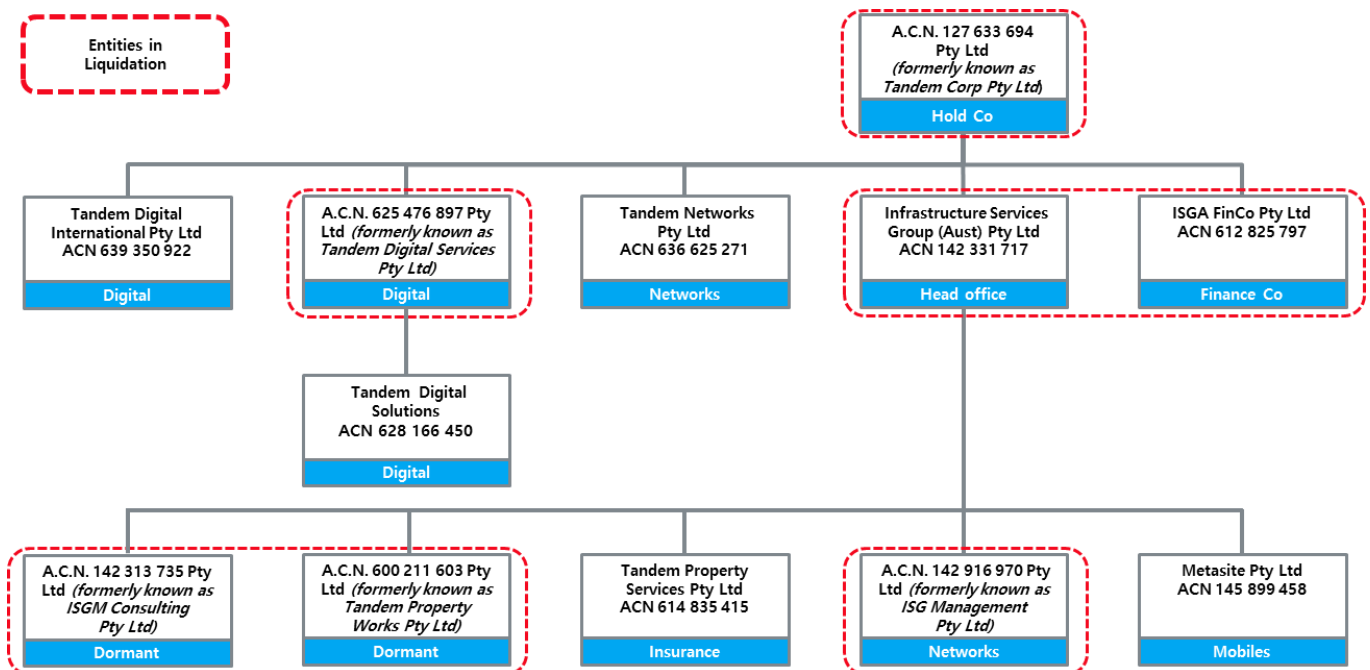
### 2.3 Background

Creditors should refer to section 4 of the Administrators' Report for full background and statutory information on the Insolvent Group.

#### 2.3.1 Corporate Structure

The corporate structure of the Tandem Group as at the date of the Liquidators' appointment is set out below.

**Figure 1: Corporate structure**





The Liquidators note the following in relation to the corporate structure:

- The Liquidators are appointed to seven companies (collectively **the Insolvent Companies** or **Insolvent Group**) within the Tandem Group:
  - A.C.N. 612 789 983 Pty Ltd (formerly known as Tandem Corp Pty Ltd) (**Tandem Corp**), the Tandem Group holding company;
  - Infrastructure Services Group (Australia) Pty Ltd (**ISGA or ISG Aust**), operated the Tandem Group's corporate services function;
  - A.C.N. 142 916 970 Pty Ltd (formerly known as ISG Management Pty Ltd) (**ISGM**), a former operating entity within the Networks BU;
  - ISGA FinCo Pty Ltd (**ISGA FinCo**), primary borrower of the Tandem Group's Secured Debt which is cross-collateralised with other Tandem Group entities except Tandem Digital International;
  - A.C.N. 142 331 735 Pty Ltd (formerly known as ISGM Consulting Pty Ltd) (**ISGM Consulting**), a dormant entity
  - A.C.N. 625 476 897 Pty Ltd (formerly known as Tandem Digital Services Pty Ltd) (**Tandem Digital Services**), a former operating entity within the Digital BU; and
  - A.C.N. 600 211 603 Pty Ltd (formerly known as Tandem Property Works Pty Ltd) (**Tandem Property Works**), a dormant entity.
- The main trading entities and employing entities within the Insolvent Group at the Appointment Date were ISGM, ISGA and Tandem Digital Services.
- The remaining five entities within the Tandem Group not subject to the Liquidators' appointment (**non-CVL entities**) remain under the control of their own directors:
  - **Tandem Digital International Pty Ltd**, an operating entity within the Digital BU;
  - **Tandem Digital Solutions Pty Ltd**, an operating entity within the Digital BU;
  - **Tandem Networks Pty Ltd**, an operating entity within the Networks BU;
  - **Tandem Property Services Pty Ltd**, an operating entity within the Insurance BU which is expected to wind down all operations by the end of August 2021; and
  - **Metasite Pty Ltd**, an operating entity within the Mobiles BU.

### 2.3.2 Deed of Cross Guarantee

The Insolvent Group entities entered into a Deed of Cross Guarantee on 29 June 2016 pursuant to ASIC Class Order 98/1418 (**Deed of Cross Guarantee**).

The effect of a DXG is that in the event of a liquidation of any entity within the DXG Group, each of the other entities within the DXG Group guarantees the debts of the entity in liquidation. Hence, each entity is contingently liable for the debts of each other entity and the assets of all entities are ultimately available to meet those debts (subject to security interests and the interests of priority creditors).

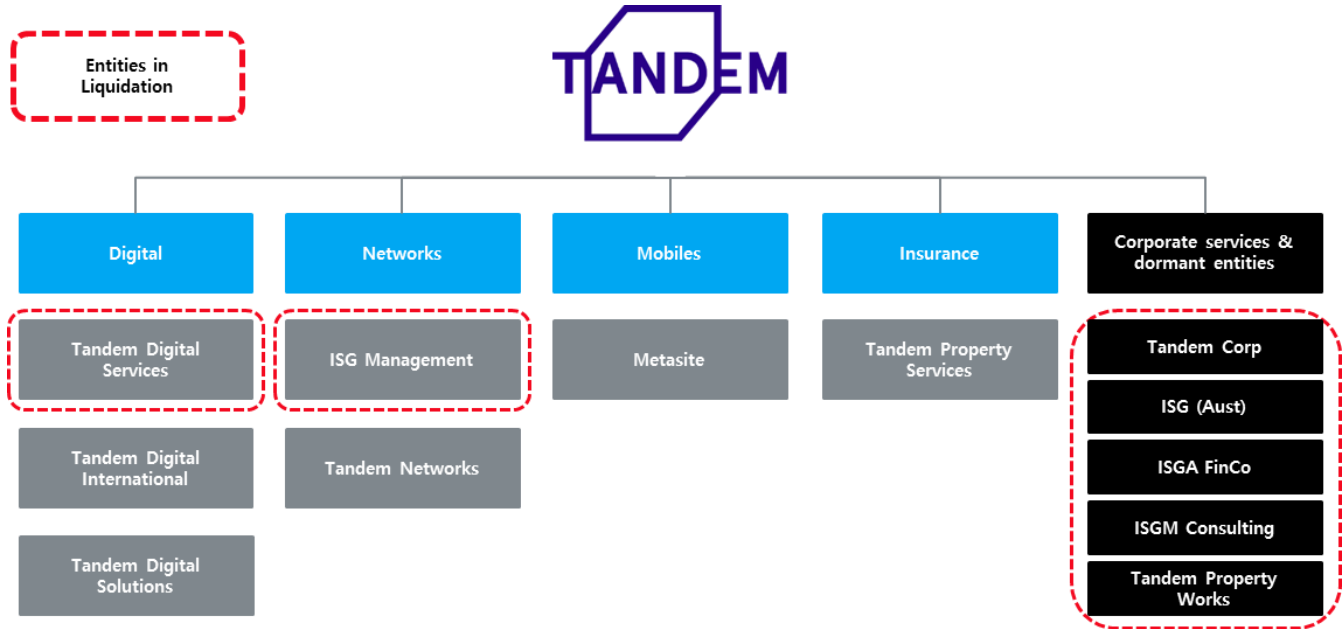
Each of the entities within the Insolvent Group is a party to the Deed of Cross Guarantee. The non-CVL entities are **not** parties to the Deed of Cross Guarantee.

Creditors of entities that are party to the Deed of Cross Guarantee are permitted to prove as creditors in the entity in which they are a creditor, and as contingent creditors in all other entities which are party to the Deed of Cross Guarantee.

### 2.3.3 Business unit summary

Set out below is a summary of the Tandem Group’s key business units for financial reporting in FY21, being Networks, Digital, Mobiles and Insurance.

**Figure 2: Tandem Group business units**



## 2.4 Report on Company Activities and Property

Pursuant to section 438B(2) of the Act, each director submitted a Report on Company Activities and Property (ROCAP) in relation to each of the Insolvent Companies subject to the Appointment. A ROCAP is a report summarising the director’s understanding of the financial position of a company as at the date of the appointment of administrators, as well as their view on the reasons for failure.

The ROCAPs provided by the Directors of the Insolvent Companies mirror the Tandem Group’s management accounts as at 30 June 2021.

Details of recent financial information of the Tandem Group can be found in section 5 of the Administrators’ Report.

## 2.5 Committee of Inspection

At the Second Meetings of Creditors of the Insolvent Group a Committee of Inspection (**COI**) for the Insolvent Companies was formed. As at the date of this Report one COI meeting has been held on 3 September 2021 to provide an update on the Liquidation and for the Liquidators to seek remuneration approval for the Administration and Liquidation periods.

The Liquidators may hold further COI meetings as investigations into the affairs of the Insolvent Companies are progressed to provide updates in relation to potential avenues for recovery, the estimated return to creditors and other matters.

### 3 Actions to date

A summary of the Administrators' actions to the date of the Administrators' Report can be found in section 6 of that report.

Since the date of the Administrators' Report, the Administrators and subsequently the Liquidators and their staff have attended to the matters set out below.

#### 3.1 Statutory and general obligations

- Attending to the Administrators' and Liquidators' statutory duties including informing ASIC, the ATO, the various state revenue offices and other statutory authorities of the appointments.
- Securing the Insolvent Companies' books and records including electronic accounting records.
- Liaising with the following key stakeholders, including issuing circulars and being available to answer queries:
  - employees;
  - customers;
  - the Secured Creditor;
  - PPSR security interest holders;
  - landlords; and
  - trade creditors unsecured trade creditors.
- Transitioning the appointment from an Administration to Liquidation and associated statutory lodgements.
- Attending to other general matters and statutory requirements.

#### 3.2 Sale of business process

- Refer to section 4.1 of this Report for details of the sales process.

#### 3.3 Trade-on management

- Communicating with customers and suppliers regarding continuity of service on contracts, securing payments and supply, and subsequent transition to the purchasers upon completion of the sale process (where applicable).
- Ongoing communication between the Insolvent Group's management, employees, the Liquidators, and their staff to align messaging regarding the Liquidation process, and monitoring escalation processes and procedures.
- Ongoing review of key financial information required for monitoring ongoing trading, including cash flow forecasts, timing of key cash inflows and outflows and related information.
- Maintaining financial control processes for payroll, payments, purchase orders and document retention matters. Authorising the creation of purchase orders and payment of invoices.
- Maintaining IT infrastructure for both the Insolvent Group and non-CVL entities.
- Providing ongoing support to the non-CVL entities to assist the orderly wind-down of those entities.
- Working with the Insolvent Group's finance department to prepare financial analysis, including trading profit and loss statements, ongoing trading position statements and estimated outcome statements for the Administration and Liquidation periods.
- Authorising purchase orders and maintaining a purchase order register.
- Reconciling cash daily and evaluating the ongoing trading position.
- Issuing correspondence and holding discussions with landlords, including advising them of the Liquidators' intention to disclaim property leases.
- Liaising with Offices of State Revenue in each state regarding payroll tax.
- Liaising with legal advisors in relation to certain supplier correspondence.

- Reviewing and assessing claims, negotiating payments and continuation (or exiting) of projects.
- Engaging tax advisers to assist in recovering potential tax refunds.

### 3.4 Employees

- Ensuring all employees were made aware of their rights and obligations following the appointment of Liquidators, the manner in which the liquidation process affects their entitlements, and responding to employee enquiries, via direct contact and email.
- Assisting employees with making applications to FEG for payment of certain pre-administration entitlements.
- Responding to the numerous FEG queries in relation to employee claims.
- Maintaining the Group's payroll function.
- Reviewing awards (for each state the Insolvent Group operated in) and employee contracts to assist with finalising employee entitlement calculations and responding to FEG queries.
- Preparing employee retention and termination letters for both casual and permanent employees, together with separation certificates for terminated employees.
- Liaising with legal advisors regarding employee entitlements and drafting and issuing correspondence to employees and FEG where necessary.
- Maintaining the employee entitlement model, calculating and reconciling both pre-administration and post-administration employee entitlements.
- Paying accrued employee entitlements for the post-administration period.
- Liaising with various government agencies regarding employee matters including the Child Support Agency, WorkCover, Centrelink and the Attorney-General's Department as required.
- Managing personal injury claims against the Insolvent Group and responding to subpoenas.
- Corresponding with employees in response to their queries.

### 3.5 Creditors

- Convening and chairing the Second Meetings of Creditors held on 5 August 2021 and preparing and lodging the minutes of the meeting with ASIC.
- Convening and chairing the COI meeting held on 3 September 2021 and preparing and lodging the minutes of the meeting with ASIC.
- Preparing the Liquidators' statutory report (i.e. this Report) pursuant to section 70-40 of IPR.
- Liaising with purchase money security interest (**PMSI**) creditors identified from searches of the PPSR in relation to goods supplied under security arrangements.
- Assessing, reviewing and adjudication of claims for retention of title, liaising with claimants and maintaining a register of claims.
- Corresponding with creditors in response to their enquiries.
- Obtaining legal advice in relation to queries from creditors as necessary.
- Liaising with legal advisors and Shine Lawyers in relation to the Class Action.
- Making creditor information available on the McGrathNicol website.
- Responding to legal notices from suppliers, subcontractors and contract principals and seeking legal advice where appropriate.

### 3.6 Investigations

- Refer to section 5 of this Report for details of the Liquidators' ongoing investigations.

## 4 Update on the progress of the liquidation

### 4.1 Sale of business process

Creditors should refer to section 7 of the Administrators' Report for full details. The sale process that took place during the Administration and Liquidation period is summarised below.

#### 4.1.1 Overview

As outlined in the Administrators' Report, the Administrators and directors of the non-CVL entities executed an asset sale agreement with GenusPlus Group Ltd (**GenusPlus**) for the going concern sale of the Networks, Digital and Mobiles businesses on 29 July 2021.

In addition, the Administrators had received a separate offer from a party to purchase the assets and operations relating to ISGM's service contract with JB Hi-Fi which was subject to due diligence and documentation as at the date of the Administrators' Report.

#### 4.1.2 Outcome of the sale process

The sale to GenusPlus completed on 6 August 2021 at a headline price of \$3.4m less adjustments of approximately \$1.1m for employee entitlements in respect of 31 transferring employees from the Insolvent Companies (115 total including employees from non-CVL entities) and approximately \$1.1m of subcontractor costs for net consideration of approximately \$1.1m. The amount of net consideration may increase from further post-completion adjustments which are currently subject to ongoing discussions between the Liquidators and GenusPlus. The allocation of consideration between Tandem Group entities is yet to be formally agreed.

The sale of the assets and operations relating to ISGM's service contract with JB Hi-Fi completed on 30 September 2021 to a confidential party at a headline price of \$673k less adjustments of approximately \$100k for employee entitlements of nine transferring employees from the Insolvent Companies and approximately \$347k of subcontractor costs for net consideration of approximately \$225k. The net consideration received is for the benefit of ISGM's creditors.

## 4.2 Creditors

### 4.2.1 NAB (Secured Creditor)

On the Appointment Date, NAB held all present and after-acquired property (referred to as "all PAP") security interests in the Insolvent Group, allowing them to recover fixed (non-circulating) assets in priority to other creditor classes of the Insolvent Group.

NAB's security was in relation to five facilities totalling \$17.6m extended primarily to ISGA FinCo and ISGM and guaranteed by remaining Tandem Group entities (other than Tandem Digital International). NAB's facilities as at 30 June 2021 are summarised below.

**Table 1: NAB exposure on Appointment**

NAB facilities as at 30 June 2021		
Entity	Facility Type	Amount (\$)
ISGA FinCo	Trade Finance	7,151,038
ISGA FinCo	Bank Guarantees	1,880,488
ISGA FinCo	Term Loan	6,555,377
ISGM	Bank Guarantees	2,053,700
Tandem Corp	Purchasing (Credit) Cards	1,886
<b>Total</b>		<b>17,642,490</b>

*Source: NAB Proof of Debt lodged with the Administrators*

As at the date of this Report NAB has not extended any additional funding to the Insolvent Group in the Administration or Liquidation.

## 4.2.2 Security interests

A search of the Personal Property Securities Register (PPSR) at the Appointment Date revealed numerous registered security interests held against the Insolvent Companies, as summarised in the table below.

**Table 2: Summary of PPSR registrations against the Insolvent Group**

PPSR Registrations against the Insolvent Group			
Creditor Group	Secured Party	Collateral class	Number
Secured creditor	National Australia Bank Limited	All PAP	6
Secured creditor	National Australia Bank Limited	All PAP with exception	1
Secured creditor	National Australia Bank Limited	General Intangible	7
Motor vehicle	Interleasing (Australia) Limited	Motor vehicle	78
Motor vehicle	Various	Motor vehicle	8
Suppliers	Various	Other goods	15
<b>Total</b>			<b>115</b>

Source: PPSR searches undertaken on 1 July 2021

## 4.2.3 Employees

At Appointment, the Insolvent Group employed 180 employees, comprising 167 full time employees, 7 part time employees and 6 casual employees. Provided below is a summary of employees and the total value of employee entitlements (including annual leave, long service leave and estimated redundancy) by entity as at Appointment.

The table below also summarises the status of employees by employing entity setting out total entitlements relating to employees who have been made redundant, resigned or transferred as part of the sale of business.

**Table 3: Employees**

Employee entitlements by entity									
Entity	Notes	Employees at appointment (1 July 2021)		Employee retrenchments		Employee resignations		Transferred employees	
		#	\$'000	#	\$'000	#	\$'000	#	\$'000
ISG Management Pty Ltd	A	109	4,369	(89)	(4,009)	(1)	(21)	(19)	(339)
Infrastructure Services Group (Australia) Pty Ltd		63	2,853	(44)	(1,864)	(4)	(212)	(15)	(776)
Tandem Digital Services Pty Ltd	B	8	55	(1)	(5)	(4)	(22)	(3)	(28)
<b>Total</b>		<b>180</b>	<b>7,276</b>	<b>(134)</b>	<b>(5,879)</b>	<b>(9)</b>	<b>(254)</b>	<b>(37)</b>	<b>(1,143)</b>

**Notes:**

A A.C.N. 142 916 970 Pty Ltd (formerly known as ISG Management Pty Ltd)

B A.C.N. 625 476 897 Pty Ltd (formerly known as Tandem Digital Services Pty Ltd)

## 4.2.4 Unsecured trade and other creditors

The Insolvent Companies' books and records at the Appointment Date and proofs of debt received during the Administration and Liquidation indicate that the Insolvent Group had approximately 550 trade and other unsecured creditors collectively owed an estimated \$9.1m, as set out in the following table.

**Table 4: Unsecured creditors**

Insolvent Group unsecured creditor summary		
Unsecured creditor Profile	No. of creditors	Max (\$)
Tandem Corp	26	2,052,334
ISG (Aust)	15	1,495,965
ISGM	502	5,118,699
Tandem Digital Services	4	491,433
ISGA FinCo	-	-
ISGM Consulting	-	-
Tandem Property Works	-	-
<b>Total</b>	<b>547</b>	<b>9,158,431</b>

Source: Creditor proof of debt forms and Directors' ROCAP as at 30 June 2021

Note 1: Intercompany loans between entities within the Insolvent Group are nil on a consolidated basis and have been removed for illustrative purposes

The Liquidators have received a significant number of proof of debts (not reflected in the table above), including claims from Class Action contingent creditors (detailed below). A formal adjudication process for dividend purposes will only be performed in the event that sufficient recoveries are made to enable a distribution to unsecured creditors.

#### 4.2.5 Class Action

On 21 November 2018, Shine Lawyers filed class action proceedings against ISGM in the Federal Court of Australia on behalf of telecommunications workers who provided telecommunication technician services to ISGM since at least 2011 (**Class Members**), on the basis these workers were hired as subcontractors when they should have allegedly been hired as employees.

ISGM has filed cross-claims against Class Members which arise if, and only if, the Court decides that Class Members were employees or independent contractors engaged personally by ISGM. ISGM's cross-claims seek repayment of amounts previously paid to Class Members as subcontractors and compensation.

Pursuant to s440D of the Act, legal proceedings against ISGM were stayed during the Administration period. Prior to the Second Meetings of Creditors, Shine Lawyers had provided the Administrators with 315 proof of debt forms from Class Members claiming to be owed approximately \$150.5m in employee entitlements. The amounts claimed do not take into account ISGM's cross-claims against Class Members.

Once the Insolvent Group entered liquidation, pursuant to s500(2) of the Act, legal proceedings cannot be proceeded with or commenced against a company in liquidation except by leave of the Court.

The Liquidators have not yet adjudicated upon the Class Member's claims and may seek advice and directions from the Court to determine whether the Class Members should be classified as employees or subcontractors, which would significantly impact the estimated return to creditors as detailed in section 6 of this Report.

The Liquidators are in discussions with Shine Lawyers to determine the most efficient and effective way to determine the status of Class Members and have taken legal advice on possible courses of action.

## 5 Liquidators' investigations and potential avenues for recovery

Creditors should refer to sections 8 (explanations for the Insolvent Companies' difficulties) and 9 (Administrators' investigations and potential avenues of recovery) of the Administrators' Report for an overview of the Administrators' investigations.

### 5.1 Investigations undertaken to date

The investigations undertaken to date include, but were not limited to:

- reviewing the Insolvent Group's available financial accounting information and other books and records;
- reviewing the Insolvent Group's Board minutes for the 12 months prior to the Appointment Date;

- discussions with certain Directors, certain members of Management and certain other stakeholders;
- reviewing and conducting a high level analysis of loan facilities and other financing arrangements;
- consideration of cash and funding available to the Insolvent Group at the Appointment Date, and in the six months prior;
- reviewing material transactions appearing in the Insolvent Group's records during the four years prior to the Appointment Date;
- reviewing various transactions leading to the appointment of the Administrators;
- reviewing statutory payments and accrued employee entitlements;
- searches of ASIC, the PPSR and other databases available to the Administrators;
- reviewing litigation on foot at the Appointment Date;
- considering the availability of defences to certain claims against third parties; and
- appointing legal advisers to assist in determining the merits of pursuing transactions of interest.

## 5.2 Causes of failure

As outlined in the Administrators' Report, based on preliminary investigations, the Liquidators are of the view that the following key issues and events contributed to the insolvency of the Insolvent Group and the subsequent appointment of Administrators:

- the impact of the Class Action in relation to which the Insolvent Group had incurred approximately \$5.9m in legal defence costs as at June 2021;
- a sustained decline in customer volumes for key contracts, with an approximate 40% reduction in Telstra customer volumes from June 2020 to July 2021;
- inability of the Insolvent Group to satisfactorily restructure its borrowing arrangements;
- failure to secure agreement by the Tandem Group's secured creditor to the deferral of a \$2.2m term loan facility repayment due in June 2021;
- the impact on the Tandem Group's liquidity from shareholder dividends paid during FY18 totalling approximately \$31.0m;
- the debt repayment obligations associated with a refinance in January 2021 of a secured shareholder loan totalling \$8.8m (including capitalised interest); and
- underlying EBITDA losses incurred by the Tandem Group in FY21 compounded by a key contract which became loss-making.

## 5.3 Preliminary conclusions regarding solvency

Solvency is a question of fact to be ascertained from a consideration of a company's financial position as a whole. Australian Courts have determined that the primary test of solvency is the cash flow test.

In considering the matters identified from the preliminary investigations as outlined above, the Liquidators consider that the Insolvent Group was certainly insolvent at the Appointment Date, but potentially became insolvent from around mid to late June 2021 or possibly earlier.

Preliminary investigations indicate that, whilst the Insolvent Group was certainly insolvent when it could not obtain additional support from the Secured Creditor and a forecast prepared in late June 2021 indicated cash reserves would be exhausted by early July 2021, for the reasons outlined below, an earlier insolvent date may be established. In forming the preliminary view, we have considered the following:

- the balance sheet test suggests that the Insolvent Group remained balance sheet solvent until the Appointment Date, however, it would be balance sheet insolvent at all times from FY18 to FY21 based on net tangible assets;
- the Insolvent Group's net current asset position remained below 1.0x at all times throughout FY18 to FY21, however deteriorated at a more rapid pace from April 2021 as cash reserves declined;



- the Tandem Group was unsuccessful in refinancing its facilities with NAB with \$120.0m of new funding around July 2020 to August 2020;
- the Insolvent Group's cash reserves were progressively and consistently eroded from around September 2020;
- to ease liquidity constraints ISGM and ISG (Aust) entered into a payment plan with the ATO in September 2020 for outstanding tax liabilities totalling \$12.6m;
- the Insolvent Group was reliant on funding from IFM (via a shareholder loan) and NAB (via various banking facilities). The secured IFM shareholder loan was repaid in full in January 2021 via a refinance with NAB, who provided the Insolvent Group with a new \$8.8m term loan (used to repay the IFM shareholder loan) and a new \$35.0m trade finance facility;
- Board minutes indicate that in April 2021 the Board had commenced strategic conversations regarding the future of the Insolvent Group, in the context of a continued decline in cash reserves, falling customer volumes and ongoing discussions with IFM and NAB regarding the availability of additional funding; and
- the Board engaged KordaMentha in April 2021 as turnaround advisors and to provide advice in relation to the Board's eligibility for 'Safe Harbour' protections under section 588GA of the Act, an indicator that the Board considered the Insolvent Group was or could likely become insolvent.

The Liquidators' investigations to ascertain the date of insolvency are ongoing. To conclude their view on the date that the Insolvent Group became insolvent the Liquidators are conducting further investigations, including:

- awaiting the outcome of legal advice in relation to the Insolvent Group's solvency with regard to the aforementioned factors;
- awaiting a response from the ATO in relation to an information request in connection with payment plans entered into prior to the Appointment Date;
- determining whether the inability to meet ATO liabilities as and when they fell due notwithstanding the related payment plan constitutes an earlier date of insolvency;
- conducting interviews and possible public examinations of certain Directors and members of Management regarding the Insolvent Group's declining liquidity, availability of additional funding and circumstances surrounding the repayment of the IFM shareholder loan via a refinance with NAB; and
- undertaking additional analysis to understand the availability of liquid assets to satisfy creditors as their debts fell due as a factor in determining the date of insolvency.

## 5.4 Insolvent trading

### 5.4.1 Directors' liability

Pursuant to section 588G of the Act, a director of a company has a duty to ensure that the company does not incur debts that it is unable to pay, i.e. that it does not trade whilst insolvent.

In the event that a company is placed into liquidation, and insolvent trading is found to have occurred, the directors are personally liable for the debts incurred during that time. Before a court will order that a person pay compensation in respect of insolvent trading, a liquidator must establish that:

- the person was a director of the company at the time the company incurred the debt which is the subject of the claim;
- the company was insolvent at that time or became insolvent by incurring the debt;
- at that time, there were reasonable grounds for suspecting that the company was insolvent or would become insolvent by incurring the debt; and
- the debt, which is the subject of the claim, was wholly or partly unsecured and the creditors with outstanding amounts suffered loss and damage.

There are various statutory defences available to directors in defending an insolvent trading claim, as set out in section 588H of the Act. In summary, these are that the director:

- had reasonable grounds to expect that the company was solvent at the time the debt was incurred;

- had reasonable grounds to believe, and did believe, that a competent, reliable person was responsible for providing adequate information on the company's solvency and that person fulfilled that responsibility. On the basis of such information, the director believed that at the time the debt was incurred, and considering the other debts existing at that time, the company was solvent and remained solvent;
- was ill (and therefore did not take part in management) at the time the debt was incurred; and
- took reasonable steps to prevent the debts being incurred.

In addition to statutory defences, section 588GA of the Act was introduced in September 2017, providing a protection for directors against insolvent trading claims, in certain circumstances. The Safe Harbour legislation was introduced to encourage directors, in circumstances where their company's solvency is in question, to formulate and take courses of action that it expects to result in a better outcome than the immediate appointment of an administrator or liquidator. In this regard we expect the directors of the Insolvent Companies to rely on the abovementioned safe harbour advice provided by KordaMentha (refer section 9.7 of the Administrators' Report).

The protection is available in circumstances where, as soon as the director suspected that the company was or could become insolvent, they engaged in activities that were reasonably likely to lead to a "better outcome" for the company, and any new debts from that time were incurred directly or indirectly in relation to those activities.

In addition to the above, the Liquidators also note that as part of the Coronavirus Economic Response Package Omnibus Bill 2020, company directors are granted temporary relief during the period commencing on 25 March 2020 to 31 December 2020 from prosecution for insolvent trading and incurring debts in the ordinary course of business to facilitate the continuation of the business.

## 5.5 Voidable transactions

### 5.5.1 Unfair preferences

As outlined in section 9.9.2 of the Administrators' Report, the Administrators' preliminary investigations identify potential unfair preference payments of at least \$0.9m may have been paid in June 2021 to the ATO. This amount may be greater if it is determined the Insolvent Group was insolvent earlier than June 2021.

The Administrators' preliminary investigations have also identified the following payments as transactions of interest as potential unfair preferences subject to an earlier date of insolvency being established:

- repayment of the \$8.8m IFM secured shareholder loan in January 2021; and
- payments made to certain other related parties in FY21 totalling approximately \$0.5m.

The Liquidators are continuing their investigations as to whether these payments give rise to any potential unfair preference claim or if it can be established that the Insolvent Group became insolvent earlier than June 2021.

As outlined in the Administrators' Report, in order to bring an action for recovery of an unfair preference against a creditor of an entity within the Insolvent Group, the Liquidators would be required to demonstrate that the relevant entity was insolvent at the time of the transaction, as well as a number of other elements. These include that the creditor received a preference over other creditors, and that the recipient of the preference had grounds to suspect that the relevant entity was insolvent at the time of receiving payment.

As a part of the investigations into unfair preferences, the following tasks were undertaken:

- analysis of creditor ledgers and movements in creditor accounts over time;
- reviewing correspondence between the Insolvent Group and its financiers, the ATO and other creditors;
- requesting additional information from the ATO regarding payments made under the payment plans;
- reviewing the Insolvent Group's books and records to identify whether any creditors applied pressure on the Insolvent Group to coerce payment;
- reviewing internal Board reports, cash flow forecasts, correspondence with financial advisors and other records to understand whether the Board and management considered the Insolvent Group was able to pay its debts as and when they fell due; and
- obtaining independent legal advice regarding the merits of the abovementioned potential preference payments and the date of the Insolvent Group's insolvency.

Similar to insolvent trading actions, there are a range of defences available to parties that received a payment identified as a potential voidable transaction. These defences would be considered prior to commencing recovery actions against individual creditors.

There are a range of matters that might impact the ultimate recovery of these potential voidable transactions, including:

- the possible application of the running account principle, which may reduce the face value of the claims identified (excluding potential preferences paid to the ATO to which the running account principle does not apply);
- the availability of statutory defences and other counter arguments such as that the creditor held security; and
- the costs associated with recovery, including possibly litigating the claims, with the attendant litigation risk.

The statutory defences to a voidable transaction include receiving payment in good faith and that the creditor had no reasonable grounds for suspecting that the company was insolvent at the time of receiving payment.

In order to conclude their view on whether unfair preference claims that are commercial to pursue exist, the Liquidators are conducting further investigations to:

- determine the date of the Insolvent Group's insolvency (see section 5.4 above);
- obtain additional information from the ATO to consider their correspondence with ISGM and ISG (Aust) regarding payments made under the payment plans;
- consider the availability of defences to potential unfair preference claims, including:
  - reviewing correspondence with creditors;
  - conducting examinations of certain third parties (where it is appropriate to do so); and
  - obtaining further independent legal advice on the prospects of unfair preference claims being successful and on the merits of potential defences.

The Liquidators' investigations into whether unfair preference claims exist, and are commercial to pursue, are ongoing.

### 5.5.2 Uncommercial transactions

As outlined in the Administrators' Report, the Liquidators have not identified any transactions that would constitute an uncommercial transaction.

### 5.5.3 Unfair loans and unreasonable director related transactions

As outlined in section 9.9.4 of the Administrators' Report and section 5.5.1 above, the Liquidators' preliminary investigations have identified transactions of interest to related parties which may give rise to potential preference claims or in the alternative a claim as unreasonable director related transactions.

In addition, the Liquidators are continuing to investigate unresolved queries regarding the \$31.0m of dividends paid to Tandem Group shareholders in FY18 which may also give rise to related claims (refer to section 5.2 of the Administrators' Report). The Liquidators have commissioned independent legal advice regarding the circumstances surrounding these payments, including whether the dividends were paid in compliance with relevant sections of the Act and the availability of statutory defences and other counter arguments against any claims the Liquidators may bring.

The Liquidators and their legal advisers are undertaking further investigations to determine whether a claim for the benefit of creditors exists and is worth pursuing.

### 5.5.4 Circulating security interests created within six months of the relation back day

As outlined in the Administrators' Report, the Liquidators have not identified any circulating security interests created within six months of the Insolvent Group's relation back day of 1 July 2021.

### 5.5.5 Funding to pursue insolvent trading and voidable transactions

Creditors should note that insolvent trading and voidable transactions may require further significant investigation prior to establishing that valid, pursuable claims exist.

Any subsequent litigation would be complex and likely to result in significant costs. Funding may be sought from creditors or litigation funders if the Liquidators consider there is merit in commencing such action.

## 5.6 Directors duties and misconduct

A summary of common potential offences which the Liquidators have and are considering are provided in the following table.

**Table 5: Summary of common director offences**

Summary of common offences	
Section	Offence
180	Failure to discharge duties with reasonable degree of care and diligence.
181	Failure to act in good faith and in best interests of the corporation and for proper purpose.
182	Improper use of position to gain personal advantage or cause detriment to corporation.
183	Improper use of information to gain advantage or cause detriment to corporation.
184	Reckless or intentionally dishonest and failing to exercise powers and discharge duties in good faith and for a proper purpose.
206A	Disqualified person managing corporation.
286	Failure to keep financial records..
1307	Falsification of books.
1401H	Misleading or deceptive conduct

*Source: Corporations Act 2001*

Creditors should note that the list of offences in the table above is not an exhaustive list of all potential offences under the Act, but rather a summary list of offences more commonly committed.

### 5.6.1 Breach of Directors' duties

Sections 180 to 184 of the Act set out the duties, obligations and responsibilities imposed on directors, which are designed to promote good governance and ensure that directors act in the interests of a company. These duties include:

- duty of care and diligence;
- duty of good faith;
- duty not to make improper use of position; and
- duty not to make improper use of information.

As set out above in sections 5.5.1 and 5.5.3 and section 9 of the Administrators' Report, preliminary investigations have identified various transactions of interest which may give rise to a claim for breach of directors' duties set out in section 180 to 184 of the Act.

The Liquidators have obtained initial independent legal advice regarding merits of pursuing one or more claims for a breach of Directors' duties. The Liquidators and their legal advisers are conducting further investigations to assess the strength of potential claims identified and to determine the cost benefit of pursuing recovery action whilst considering the defences that may be available to the Directors.

### 5.6.2 Other offences

Based on the Liquidators' investigations to date, they have not identified potential breaches of the following sections of the Act:

- s206A Disqualified person not to manage corporations
- s1307 Falsification of books
- s1041H Misleading or deceptive conduct

The Liquidators note that their investigations are ongoing and potential breaches in respect of the abovementioned sections of the Act may be identified at a later date.

## 6 Anticipated return to creditors

Creditors should refer to section 10 of the Administrators' Report for initial details on the anticipated return to creditors.

### 6.1 Order of priority of distributions

Three classes of creditor are entitled to rank for dividend purposes against net asset recoveries from the liquidation of the Insolvent Group, being:

- priority creditors (i.e. employees);
- the Secured Creditor (i.e. NAB); and
- unsecured creditors.

The Act prescribes an order of priority for the distribution of funds realised through the liquidation process. In summary, proceeds received from asset realisations are utilised as follows:

- firstly, to fund the costs and expenses of the administration and liquidation process, including the Administrators', and Liquidator's, fees and expenses. Creditors should however note, that as outlined in the Administrators' initial correspondence to creditors dated 6 July 2021, the Administrators' (and the Liquidators') fees are subject to approval by creditors, a COI or the Court and cannot be drawn without such approval;
- then, priority creditors (i.e. employees) who are entitled to rank for a priority distribution against net realisations from circulating assets within their employing entity;
- then, the Secured Creditor who ranks ahead of unsecured creditors against surplus circulating assets and non-circulating assets; and
- unsecured creditors (i.e. trade creditors and subcontractors) who rank behind priority creditors and the Secured Creditor.

Due to the existence of the Deed of Cross Guarantee (explained at section 2.3.2), all creditors (including employee creditors) are entitled to rank for dividend purposes against all entities subject to the Deed of Cross Guarantee, however employee creditors are only afforded a priority against net circulating asset recoveries from their employing entity.

### 6.2 Estimated outcome of the Liquidation

As detailed in section 10 of the Administrators' Report, the return to creditors of the Insolvent Companies will depend on the following variables:

- The outcome of the sale process (refer section 4.1) and the following related factors that may impact on any net return to creditors:
  - final purchase price adjustments for items which remain variable as at the date of this Report;
  - additional costs incurred relating to any post completion sale disputes;
  - the share of net sale proceeds referable to entities within the Insolvent Group;
  - the final allocation of related costs including Administrator fees to non-CVL entities and as between the circulating and non-circulating asset pools of the Insolvent Companies; and
  - the extent to which net sale proceeds received by non-CVL entities have the effect of reducing NAB's residual secured claim against the Insolvent Group.
- The allocation and recovery of corporate recharges between the non-CVL entities and the Insolvent Group entities and the non-CVL entities ability to pay same;
- The extent to which potential tax refunds may be recoverable;
- The total costs of the liquidation including advisers fees; and
- The extent of any recoveries that may be available to a liquidator from voidable transactions and other offences (refer sections 5.4 to 5.6).

As at the date of this Report all of the above matters are yet to be finalised and, accordingly, it is too early to provide a definitive estimate of the likely return available to creditors. However, notwithstanding these limitations, in the period since the Administrators' Report was issued the Liquidators have formed a more detailed view on the likely return available to creditors based on completion of the sale transactions referred to in section 4.1 and their investigations to date. The Liquidators make the following comments regarding potential creditor returns from the Insolvent Companies:

- priority creditors of ISGM only are expected to receive distributions from the realisation of circulating assets of between \$1.3m and \$1.6m (net of costs) against current employee claims of \$4.1m;
- the priority creditors of Insolvent Companies other than ISGM are not expected to receive any distributions from the realisation of circulating assets (net of costs);
- the Liquidators are continuing to investigate payments to the ATO of at least \$0.9m (split \$0.66m for ISGM and \$0.24m for ISG (Aust), refer section 9.9.2 of the Administrators' Report) which may be voidable as unfair preferences and become additional recoveries available to priority creditors of these entities;
- the Secured Creditor (NAB) is expected to receive a distribution from the Insolvent Companies of between \$0.7m and \$1.4m against a claim of \$17.6m but may also recover further amounts from non-CVL entities; and
- unsecured creditors of the Insolvent Companies with estimated claims totalling \$9.2m (refer section 4.2.4) are unlikely to receive any return absent meaningful further recoveries from voidable transactions and other offences (refer sections 5.4 to 5.6).

These estimates are in-line with the estimates outlined in the Administrators' Report (refer to section 10).

If a dividend is going to be paid by an Insolvent Group entity, creditors will be contacted before that happens and, if not already done so, creditors will be asked to lodge a proof of debt. This formalises the record of claim in the Liquidation and is used to determine all claims against the Insolvent Group.

## 7 Receipts and payments

Details of the Administrators' and Liquidators' receipts and payments during the period 1 July 2021 to 29 October 2021 by entity are included at Appendix B.

Please note that analysis regarding the allocation and recovery of corporate recharges and sale proceeds between non-CVL entities and the Insolvent Group entities remains ongoing and may be subject to change.

## 8 Cost of the liquidation

The Liquidators have had remuneration for the Liquidation of \$475,000 (excluding GST and disbursements) approved at the COI meeting held on 3 September 2021. Remuneration for the Liquidation remains undrawn as at the date of this Report.

Total remuneration for the Liquidation is expected to be approximately \$950,000 (excluding GST and disbursements). We will advise creditors and/or the COI if the estimated remuneration to complete the Liquidation materially changes, which will be dependent on the progress of matters outlined in section 9 of this Report. We note that the Liquidators' current remuneration approval and estimated future costs excludes the cost of pursuing any potential recoveries from voidable transactions and other offences or significant time required in dealing with contingent creditors. This estimate has increased from the higher end of the initial estimate of \$600,000 per the Administrators' Report for reasons that include the following:

- Protracted sale processes requiring significant additional time to complete the JB Hi-Fi service contract sale and resolving numerous post completion issues relating to the GenusPlus sale, some of which are ongoing;
- Requirement to maintain operations of the Insolvent Group for a longer period than initially envisaged in order to support the sale process and assist the wind-down of the non-CVL entities;
- Resolving a number of supplier disputes to ensure operations could continue during the liquidation period;
- Complications with the transfer of IT infrastructure and associated negotiations with IT service providers resulting in additional time costs;
- Dealing with creditors who had not previously contacted the Administrators or lodged a proof of debt;
- Dealing with a higher than expected number of legal claims, including Class Action contingent creditors; and
- Significant amount of time responding to FEG queries in order to help expedite the payment of employee claims.

## 9 Next steps

We will continue to attend to outstanding matters in the liquidation of the Insolvent Group, including:

- **Sale process:**
  - Finalising purchase price adjustments with the purchasers of the Insolvent Group's businesses.
- **Post-appointment trading:**
  - Collecting outstanding debtors and paying post-appointment creditors.
  - Finalising the allocation and recovery of corporate recharges between non-CVL entities and the Insolvent Group entities.
  - Assisting with the non-CVL entities wind down.
  - Winding down the remaining corporate and other support functions controlled by the Liquidators.
- **Investigations:**
  - Completing investigations into the date of insolvency, potential preference actions and claims that may flow from these.
  - Investigating any breaches of duties claims or other breaches.
  - Reporting to the corporate insolvency regulator, ASIC, as required.
- **Other matters:**
  - Recovery of potential tax refunds.
  - Dealing with the Class Action and any other claims brought against Insolvent Group entities in respect of events prior to the Appointment Date.
  - Adjudication of proof of debts and processing of distributions (where required).
  - Attending to other sundry tasks necessary to conduct the Liquidation of the Insolvent Group in an efficient manner.

## 10 Other matters

Information regarding your rights as a creditor is provided in the information sheet included at Appendix C.

We may write to you again with further information on the progress of the liquidation.

### 10.1 Completion of liquidations

Due to the scale of the Insolvent Group's businesses and the investigations which are ongoing, it is difficult to estimate when the liquidations of the Insolvent Group entities will be complete.

The time of completion of the liquidations for certain Insolvent Group entities may vary. The liquidations will not be completed until such time that the affairs in the liquidations of the Insolvent Group entities are finalised. At this stage, we expect to complete the liquidations of the Insolvent Group entities within the next two years (subject to resolution of the matters outlined in section 9 (next steps) of this Report).

## 11 Contact

Provided at Appendix C is an information sheet issued by ARITA for the benefit of creditors.

Please refer to the McGrathNicol website at [www.mcgrathnicol.com/creditors/tandem-group](http://www.mcgrathnicol.com/creditors/tandem-group) for further information regarding this engagement. Creditors may also email [tandemcreditors@mcgrathnicol.com](mailto:tandemcreditors@mcgrathnicol.com) if they have any queries.

Dated: 5 November 2021



Keith Crawford  
Joint and Several Liquidator

## APPENDIX A Schedule of Insolvent Group entities

### Tandem Group - Entities over which the Liquidators are appointed

	Company	ACN	ABN	DXG
1	A.C.N. 612 789 983 Pty Ltd (formerly known as Tandem Corp Pty Ltd)	612 789 983	89 612 789 983	Yes
2	A.C.N. 625 476 897 Pty Ltd (formerly known as Tandem Digital Services Pty Ltd)	625 476 897	62 625 476 897	Yes
3	Infrastructure Services Group (Australia) Pty Ltd	142 331 717	90 142 331 717	Yes
4	ISGA FinCo Pty Ltd	612 825 797	46 612 825 797	Yes
5	A.C.N. 142 331 735 Pty Ltd (formerly known as ISGM Consulting Pty Ltd)	142 331 735	94 142 331 735	Yes
6	A.C.N. 600 211 603 Pty Ltd (formerly known as Tandem Property Works Pty Ltd)	600 211 603	70 600 211 603	Yes
7	A.C.N. 142 916 970 Pty Ltd (formerly known as ISG Management Pty Ltd)	142 916 970	83 142 916 970	Yes

**Note:** The five non-CVL entities of the Tandem Group which the Liquidators are not appointed to are Metasite Pty Ltd, Tandem Digital International Pty Ltd, Tandem Digital Solutions Pty Ltd, Tandem Networks Pty Ltd and Tandem Property Services Pty Ltd. As at the date of this Report these entities remain under the control of their directors.



## APPENDIX B List of receipts and payments

### Summary receipts and payments for the period 1 July 2021 to 29 October 2021

\$'000	Tandem Corp	Tandem Digital Services	ISG (Aust)	ISGA FinCo	ISGM Consulting	Tandem Property Works	ISGM	Total Insolvent Group
<b>Receipts</b>								
Post-appointment debtor receipts	-	-	-	-	-	-	1,599	1,599
Pre-appointment debtor receipts	5	-	30	10	-	185	2,550	2,780
Post-appointment overhead recoveries	-	-	-	-	-	-	591	591
Administration funding from Tandem Corp	1,000	-	-	-	-	-	-	1,000
Administration funding from prospective purchaser	440	-	-	-	-	-	-	440
Sale proceeds	1,116	-	-	-	-	-	248	1,363
Non-CVL entity recharge receipts	-	-	385	-	-	-	-	385
Loan from Insolvent Group entities	-	151	883	14	12	13	44	1,116
Other receipts	69	1	4	1	1	1	6	84
Funds received in error	-	-	-	-	-	166	-	166
<b>Total Receipts</b>	<b>2,629</b>	<b>152</b>	<b>1,302</b>	<b>25</b>	<b>13</b>	<b>365</b>	<b>5,038</b>	<b>9,524</b>
<b>Payments</b>								
Payroll and on-costs	-	(83)	(826)	-	-	-	(226)	(1,135)
Subcontractors	-	-	-	-	-	-	(930)	(930)
Insurance expenses	(48)	-	-	-	-	-	-	(48)
IT expenses	(393)	(20)	-	-	-	-	(75)	(488)
Hire and leasing	(6)	-	-	-	-	-	(16)	(23)
Office rent	-	-	-	-	-	-	(25)	(25)
Legal fees	(218)	-	-	-	-	-	(3)	(221)
Other professional fees	(16)	-	-	-	-	-	(34)	(50)
Post-appointment GST/PAYG	(100)	(11)	(239)	-	-	-	(100)	(450)
Administrator fees and disbursements	(337)	(36)	(214)	(14)	(12)	(14)	(425)	(1,051)
Telephone and internet	-	-	(0)	-	-	-	(134)	(134)
Loan to Insolvent Group entities	(634)	-	(20)	-	-	-	(462)	(1,116)
Other direct and indirect costs	(43)	(0)	(0)	(0)	(0)	(0)	(8)	(53)
Funds received in error	-	-	-	-	-	(340)	-	(340)
<b>Total payments</b>	<b>(1,796)</b>	<b>(150)</b>	<b>(1,299)</b>	<b>(14)</b>	<b>(12)</b>	<b>(354)</b>	<b>(2,436)</b>	<b>(6,062)</b>
<b>Closing cash at bank as at 29 October 2021</b>	<b>833</b>	<b>1</b>	<b>3</b>	<b>11</b>	<b>1</b>	<b>11</b>	<b>2,602</b>	<b>3,462</b>

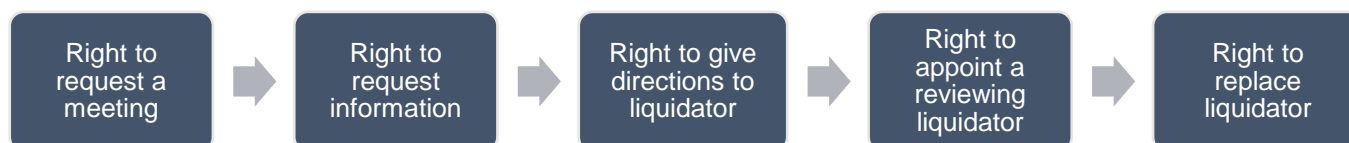
Source: Liquidators' accounts



## APPENDIX C ARITA information sheet – Creditor Rights in Liquidations

# Creditor Rights in Liquidations

As a creditor, you have rights to request meetings and information or take certain actions:



## Right to request a meeting

In liquidations, no meetings of creditors are held automatically. However, creditors with claims of a certain value can request in writing that the liquidator hold a meeting of creditors.

A meeting may be requested in the first 20 business days in a creditors' voluntary liquidation by  $\geq 5\%$  of the value of the debts held by known creditors who are not a related entity of the company.

Otherwise, meetings can be requested at any other time or in a court liquidation by:

- $> 10\%$  but  $< 25\%$  of the known value of creditors on the condition that those creditors provide security for the cost of holding the meeting
- $\geq 25\%$  of the known value of creditors
- creditors by resolution, or
- a Committee of Inspection (this is a smaller group of creditors elected by, and to represent, all the creditors).

If a request complies with these requirements and is 'reasonable', the liquidator must hold a meeting of creditors as soon as reasonably practicable.

## Right to request information

Liquidators will communicate important information with creditors as required in a liquidation. In addition to the initial notice, you should receive, at a minimum, a report within the first three months on the likelihood of a dividend being paid.

Additionally, creditors have the right to request information at any time. A liquidator must provide a creditor with the requested information if their request is 'reasonable', the information is relevant to the liquidation, and the provision of the information would not cause the liquidator to breach their duties.

A liquidator must provide this information to a creditor within 5 business days of receiving the request, unless a longer period is agreed. If, due to the nature of the information requested, the liquidator requires more time to comply with the request, they can extend the period by notifying the creditor in writing.

## Requests must be reasonable.

### They are not reasonable if:

Both meetings and information:

- (a) complying with the request would prejudice the interests of one or more creditors or a third party
- (b) there is not sufficient available property to comply with the request
- (c) the request is vexatious

Meeting requests only:

- (d) a meeting of creditors dealing with the same matters has been held, or will be held within 15 business days

Information requests only:

- (e) the information requested would be privileged from production in legal proceedings
- (f) disclosure would found an action for breach of confidence
- (g) the information has already been provided
- (h) the information is required to be provided under law within 20 business days of the request

If a request is not reasonable due to (b), (d), (g) or (h) above, the liquidator must comply with the request if the creditor meets the cost of complying with the request.

Otherwise, a liquidator must inform a creditor if their meeting or information request is not reasonable and the reason why.

Specific queries about the liquidation should be directed to the liquidator's office.

## Right to give directions to liquidator

Creditors, by resolution, may give a liquidator directions in relation to a liquidation. A liquidator must have regard to these directions, but is not required to comply with the directions.

If a liquidator chooses not to comply with a direction given by a resolution of the creditors, they must document their reasons.

An individual creditor cannot provide a direction to a liquidator.

## Right to appoint a reviewing liquidator

Creditors, by resolution, may appoint a reviewing liquidator to review a liquidator's remuneration or a cost or expense incurred in a liquidation. The review is limited to:

- remuneration approved within the six months prior to the appointment of the reviewing liquidator, and
- expenses incurred in the 12 months prior to the appointment of the reviewing liquidator.

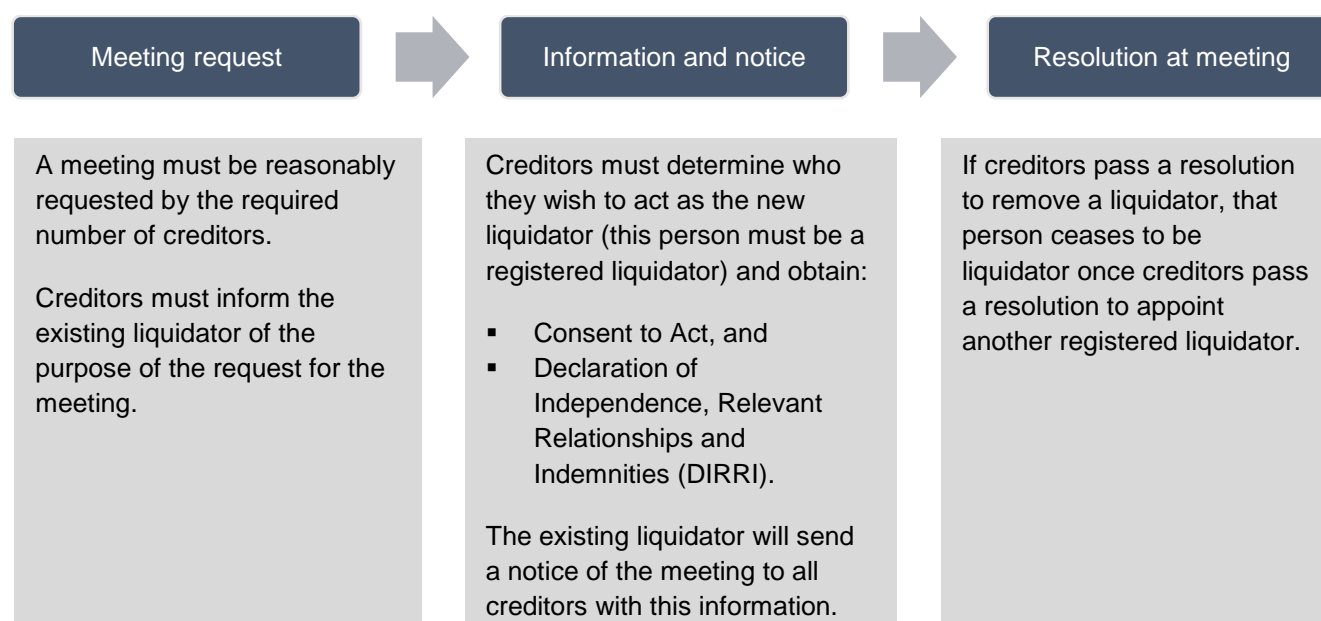
The cost of the reviewing liquidator is paid from the assets of the liquidation, in priority to creditor claims.

An individual creditor can appoint a reviewing liquidator with the liquidator's consent, however the cost of this reviewing liquidator must be met personally by the creditor making the appointment.

## Right to replace liquidator

Creditors, by resolution, have the right to remove a liquidator and appoint another registered liquidator.

For this to happen, there are certain requirements that must be complied with:



**For more information, go to [www.arita.com.au/creditors](http://www.arita.com.au/creditors).  
Specific queries about the liquidation should be directed to the liquidator's office.**